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P 271247Z JUN 06
FM AMEMBASSY PHNOM PENH
TO RUEHC/SECSTATE WASHDC PRIORITY 6927
INFO RUCNASE/ASEAN MEMBER COLLECTIVE PRIORITY
RUEHXI/LABOR COLLECTIVE PRIORITY
RUEHGV/USMISSION GENEVA PRIORITY 1499
RUEHC/DEPT OF LABOR WASHDC PRIORITY
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY

UNCLAS SECTION 01 OF 02 PHNOM PENH 001185

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SUBJECT: CAMBODIA: PROMISING LABOR NEGOTIATIONS FALTER,
BUT MAY BE RESTARTED

REF: PHNOM PENH 1176 AND PREVIOUS

1. (SBU) SUMMARY: Promising negotiations between the Garment Manufacturers Association of Cambodia (GMAC) and the Free Trade Union (FTU) over FTU demands for a minimum wage increase faltered when FTU factory-level union leaders rejected the proposed deal on June 25. During a meeting with Poleconoff on June 26, FTU leader Chea Mony sent conflicting signals. He said that the labor dispute was a "test of strength" between FTU and GMAC and hinted that a large strike could be helpful in setting the stage for a political change, but then indicated that he was willing to continue negotiating and that an immediate minimum wage increase of USD 7 to 9 per month would likely be acceptable. Thinking that a favorable agreement, a large strike, or even his own arrest will only increase his political stature, Chea Mony has little to lose in this high stakes labor game and will drive a hard bargain with GMAC, if indeed any agreement can be reached before the July 3 general strike deadline. END SUMMARY.

Potential Labor Agreement Falls Apart

2. (SBU) June 23 negotiations held by the Garment Manufacturers Association of Cambodia (GMAC) and Chea Mony of the Free Trade Union (FTU) were very productive, according to Ken Loo of GMAC. According to Loo, the two sides had agreed on a USD 7 per month increase in the minimum wage, but differed on how to phase in the increase over a three year period. GMAC and FTU did not discuss binding arbitration--an important component of a framework proposal suggested by the International Labor Organization (ILO) and the American Center for International Labor Solidarity (ACILS)--but had come close to an understanding that FTU would exercise restraint in holding strikes over the next three years and would always seek to negotiate before striking.

3. (SBU) FTU-GMAC progress was so good that that rumors of a labor breakthrough prompted ILO and ACILS to alert Poleconoff to their worries that GMAC and FTU would conclude a deal over the weekend, leaving other unions in the cold. Poleconoff called Ken Loo the evening of June 23 to urge GMAC to wait to conclude a deal until other unions could be included in negotiations as well. Loo responded that negotiations had gone well, but that there would be plenty of time the

following week to hold multi-union negotiations.

¶4. (U) In contrast to this promising start, FTU factory level union leaders voted June 25 to reject the proposed deal with GMAC, and newspaper articles quoted union leaders as saying that their July 3 strike would start unless a solution could be found before then.

Chea Mony: Labor Dispute is a "Test of Strength"

¶5. (SBU) During a June 26 meeting with Poleconoff, FTU President Chea Mony dodged questions about why the proposal that had seemed mutually acceptable on June 23 was unexpectedly voted down on June 25. He indicated that the factory-level union leaders who discussed the proposal on Sunday defeated the proposal, and said that he was not surprised by this outcome.

¶6. (SBU) Chea Mony stated that the current stand off between GMAC and the FTU was a "test of strength" to see which organization would give in first. He then detailed what he described as typical expenses for a garment factory worker to support his claim that the current USD 45 per month was not a living wage and that a USD 15 per month increase was necessary. Poleconoff then explained that pressing for a 33% increase in minimum wage was simply not realistic. GMAC is using inflation--which they estimate at 15% since the minimum wage was set in 2000--as their starting point for a minimum wage increase, Poleconoff explained.

¶7. (SBU) Comparing the current GMAC-FTU negotiations to a game of chicken, Poleconoff then warned that if both GMAC and FTU and CITA see these negotiations as a "test of strength" and refuse to make sufficient compromises, the resulting

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labor unrest would lead buyers to produce their garments elsewhere. Many garment factories would close, and workers, unions, and factory owners would all lose. Chea Mony rebutted that many garment factory workers are fed up with the tiring work on the production line and would happily return to their villages if the factories closed.

¶8. (SBU) Chea Mony then told Poleconoff that he and Rong Chhun had been asked to come to the Phnom Penh City Hall at 5 p.m. that afternoon (June 26). However, he said, he wasn't worried. The city can't arrest him, he claimed, implying that his arrest would cause too much of an uproar. Change is constant, he noted, and sometimes things have to get worse before they can improve. Many Cambodians now are very unhappy because of the spate of land disputes, he said, implying that labor unrest could add fuel to a fire that would challenge the current government.

FTU and CITA Open to Further Negotiations

¶9. (SBU) Before departing for their appointment at City Hall, Chea Mony and Rong Chhun indicated that they would be willing to continue negotiating with GMAC and that if the issue of a minimum wage for the garment sector could be resolved, they would set aside their other demands (higher wages for teachers, shorter workweek, reduced gasoline taxes). They also indicated that a minimum wage increase of USD 7 to 9 per month, if it were to take effect immediately rather than phased in over three years, would likely be acceptable.

Phnom Penh Municipality Asks for Strike Delay

¶10. (SBU) FSN Labor Assistant called Rong Chhun the evening of June 26 to learn about the meeting with the Phnom Penh Municipality and ensure that Rong Chhun and Chea Mony had not been arrested. Rong Chhun reported that Suon Rindy, deputy cabinet director of the Phnom Penh Municipality, asked Rong

Chhun and Chea Mony to delay the strike, but they refused. They then discussed FTU and CITA's demands for a minimum wage increase, and may meet again in the coming few days.

¶11. (SBU) COMMENT. Chea Mony believes he is holding all the cards and is in a situation where he can't lose. Either he wins significant minimum wage gains for workers, or he demonstrates his power by idling tens of thousands of factory workers, or he is arrested--regardless, his political power is increased. Arrest doesn't appear to frighten him, and in fact, he may consciously or unconsciously be seeking it as a way to increase his stature. He may have in mind the martyrdom of his brother, FTU leader Chea Vichea, who was assassinated in January 2004, and the high-profile arrest of his friend and mentor CITA President Rong Chhun in October ¶2005.

¶12. (SBU) The rejection of the proposed deal with GMAC on June 25 is worrying because it is not clear if it was truly a rejection by factory level leaders or if it is rather a way for Chea Mony to re-visit negotiations with a higher minimum wage starting point. If it is the latter, there is certainly the potential for Chea Mony to use this ruse again as a way to extract even more concessions from GMAC. Because he feels that he will come out ahead whether there is a strike or not, there is little to encourage him to make substantial compromises. END COMMENT.
MUSSOMELI